

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
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FM AMEMBASSY ANKARA
TO SECSTATE WASHDC 2249
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AMEMBASSY PARIS
USMISSION GENEVA
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMCONSUL ADANA

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USEEC

USOECD

GENEVA ALSO FOR USMTN

E.O. 11652 N/A
TAGS: EFIN, TU
SUBJ: REORDERING OF TURKISH FINANCIAL AFFAIRS: STATUS REPORT

REF: (A) ISTANBUL 0910, (B) ANKARA 2576, (C) ANKARA 3053

1. TURKEY CONTINUES TO MAKE PROGRESS SLOWLY IN ORDERING ITS
FINANCIAL AFFAIRS WITH AMERICAN BANKS AND COMPANIES PROMINENTLY
PARTICIPATING IN THE EFFORT. IN SEPARATE CONVERSATIONS JUNE 7
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WITH CENTRAL BANK OFFICIALS AND WITH DICK GEORGE, CITICORP
REPRESENTATIVE IN ISTANBUL, EMBASSY OBTAINED SOME FURTHER INFORMA-
TION ON A VARIETY OF TURKISH FINANCIAL MATTERS: GOT EFFORTS TO
IDENTIFY NON-GOVERNMENT-GUARANTEED COMMERCIAL ARREARS, STATUS OF
TURKISH NEGOTIATIONS WITH PRIVATE FOREIGN BANKS ON RESCHEDULING,
PROGRESS IN RAISING NEW CREDITS FROM THESE BANKS, TURKISH
EFFORTS TO OBTAIN A FURTHER CREDIT FROM THE BANK FOR INTERNATIONAL

SETTLEMENTS (BIS), AND THE IMMINENT CONCLUSION OF A \$100 MILLION "CONSTRUCTIVE REMITTANCE" SCHEME TO REFINANCE COMMERCIAL ARREARS DUE TO CERTAIN MULTINATIONALS IN TURKEY.

2. IDENTIFICATION OF COMMERCIAL ARREARS NOT GUARANTEED BY GOVERNMENTS. ACCORDING TO YAVUZ CANEVI OF CENTRAL BANK, BANK SENT OUT REQUEST THIS WEEK TO COMMERCIAL BANKS IN TURKEY TO OBTAIN FROM THEIR TURKISH IMPORTER-CLIENTS, WHO WOULD IN TURN PRESUMABLY HAVE TO QUERY THEIR FOREIGN SUPPLIERS, LIST OF COMMERCIAL DEBTS GUARANTEED BY GOVERNMENTS. CANEVI ACKNOWLEDGED THAT IT WOULD TAKE SOME TIME UNDER THIS PROCEDURE TO BUILD UP THE LIST.

3. STATUS OF TURKISH NEGOTIATIONS WITH PRIVATE BANKS ON RESCHEDULING AND NEW CREDITS. DICK GEORGE SAID THAT REPRESENTATIVES OF LEAD BANKS WILL BE IN ANKARA JUNE 12 TO MEET WITH FINANCE MINISTER MUEZZINOGLU AND PROBABLY TO AGREE ON PACKAGE TO INCLUDE AN UNDERTAKING BY THE BANKS TO RESCHEDULE APPROXIMATELY \$2.5 BILLION IN DEBTS OVER DUE OR SOON TO BE DUE TO THEM FROM TURKEY AND TO RAISE NEW CREDITS FOR TURKEY. IF PACKAGE IS APPROVED NEXT WEEK, LEAD BANKS, NOW 8 IN NUMBER, WILL EACH ASSUME TASK OF CONTACTING ABOUT 25 BANKS OWED BY TURKEY AND PERSUADING THEM TO AGREE TO RESCHEDULING. CANEVI REMARKED EARLIER IN THE DAY THAT IT WOULD NOT BE SERIOUS IF THE DEBT OF BANKS REFUSING TO GO ALONG WITH RESCHEDULING AMOUNTED TO NO MORE THAN \$10 MILLION OR SO. IF, HOWEVER, THIS LIMITED OFFICIAL USE

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DEBT AMOUNTED TO \$50-100 MILLION, THE RESCHEDULING OPERATION WOULD OBVIOUSLY BE IN PERIL. CANEVI FELT THAT IT WOULD BE POSSIBLE TO MAKE SOME ARRANGEMENT ACCEPTABLE TO THE RESCHEDULERS TO SETTLE A SMALL SUM LIKE \$10 MILLION. HE REMARKED THAT IN HIS OWN MEETINGS WITH BANKERS HE HAD BEEN TAKING THE LINE THAT GOT COULD NOT GIVE BANKS REFUSING TO RESCHEDULE ANY INDICATION OF WHEN THEY WOULD BE PAID.

4. GOT HOPES THAT THE BANKS WILL BE ABLE TO RAISE \$500 MILLION IN NEW MONEY. SOME BANKERS THINK THIS AMOUNT IS DO-ABLE, GEORGE SAID, BUT OTHERS CONSIDER IT OPTIMISTIC. LEAD BANKS HAVE SO FAR TALKED ONLY TO A SMALL GROUP OF BANKS ABOUT A NEW CREDIT.

5. FURTHER CREDIT FROM BIS. TURKS EXPECT A DECISION JUNE 12 FROM BIS ON THEIR APPLICATION FOR A FURTHER CREDIT, GEORGE HAD LEARNED. HE DID NOT KNOW HOW MUCH THEY HAD ASKED FOR.

6. GEORGE INDICATED THAT A \$100 MILLION LOAN BY CITIBANK TO THE CENTRAL BANK WAS LIKELY TO BE SIGNED IN TWO WEEKS. DRAWDOWNS ON THIS AMOUNT WOULD PROBABLY START IN A MONTH. CITIBANK'S "CONSTRUCTIVE REMITTANCE" SCHEME, GEORGE SAID, WAS

OVERSUBSCRIBED AND IT WAS POSSIBLE THAT THERE MIGHT BE A FURTHER CREDIT OF THE SAME KIND EXTENDED BY CITIBANK AT A LATER DATE. THE LOAN WILL BE USED TO PAY COMMERCIAL ARREARS TO FIRMS INTURKEY WHICH HAVE IMPORTED GOODS NEEDED IN THEIR OPRRATIONS. THE LOAN WILL BE GUARANTEED BY THE COMPANIES AMONG WHICH THE FUNDS WILL BE DISTRIBUTED. FIRST CLAIM UPON THE MONEY WILL BE FOR REFINANCING ARREARS; WHATEVER MAY BE LEFT OVER WILL BE USED TO FINANCE THEIR NEW IMPORTS (REF A).

7. GEORGE SAID THAT POSSIBILITY OF AN IRAQI GURANTEE OF A CITIBANK LOAN TO TURKISH CENTRAL BANK TO REFINANCE PETROLEUM ARREARS IS NOT ALTOGETHER DEAD. IRAQIS HAVE INDICATED TO TURKS IN GENERAL TERMS THAT THEY WOULD BE PLEASED TO TALK LIMITED OFFICIAL USE

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ABOUT MANAGEMENT OF THE OIL ARREARS, BUT TURKS HAVE NOT RESPONDED ACTIVELY. GOT HAS ASSIGNED GULTEKIN YUKSEL, DEPUTY DIRECTOR GENERAL OF TURKISH PETROLEUM CORPORATION, TO WORK ON IRAQI DEAL (REFS B AND C). DILLON

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